



AUDITOR - GENERAL
SOUTH AFRICA

The Accounting Officer
The Greater Letaba Municipality
P.O Box 36
MODJADJISKLOOF
0835

30 November 2010

Reference: 02694REG09/10

Dear Sir/Madam

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of the Greater Letaba Municipality for the year ended 30 June 2010

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa [section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) you are required to include the audit report in the municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA, the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in

the hard copy that is provided to you. The official logo will be made available to you in electronic format.

6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed

A handwritten signature in black ink, appearing to read 'H. Westhuizen', written over a dotted line.

Senior Manager: Limpopo business unit

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**AUDITOR'S REPORT OF THE
AUDITOR-GENERAL TO THE
PROVINCIAL LEGISLATURE AND
THE COUNCIL ON GREATER
LETABA MUNICIPALITY**

30 November 2010

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL ON GREATER LETABA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Greater Letaba Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages xx to xx

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Greater Letaba Municipality for the year ended 30 June 2010 and its financial performance and its cash flows for the year then ended, in all material respects, in accordance with the South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and in the manner required by the MFMA.

Emphasis of matter

I draw attention to the following matters below. My opinion is not modified in respect of these matters:

Significant uncertainties

7. With reference to note 36 to the financial statements, the municipality is the defendant in several contractual lawsuits. The municipality is opposing the claims of R 4.42 million and the ultimate outcome of the matters cannot presently be determined.

Additional matters

I draw attention to the following matter below. My opinion is not modified in respect of these matters:

Unaudited supplementary schedules.

8. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations and financial management (internal control).

Predetermined objectives

10. The integrated development plan of the Greater Letaba Municipality did not include key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

Non-compliance with regulatory and reporting requirements

Existence and functioning of a performance audit committee

11. The municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.

Internal auditing of performance measurements

12. The municipality did not develop and implement mechanisms, systems and processes for

auditing the results of performance measurement as part of its internal audit processes, as required in terms of section 45 of the Municipal System Act (MSA).

Usefulness of reported performance information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved [strategic plan/corporate plan/annual performance plan/integrated development plan], i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?

The following audit findings relate to the above criteria:

Performance measurement

13. The municipality did not set Key Performance Indicators (KPIs), including input indicators, output indicators and outcome indicators, which are in line with development priorities and objectives as set out in the integrated development plan (IDP).

Compliance with laws and regulations

MFMA

The accounting officer and municipal officials did not adhere to his statutory responsibilities

14. Contrary to section 78(1), a senior manager or an official of the municipality exercising financial management responsibilities did not take reasonable steps within his/her areas of responsibility to ensure that all revenue due to the municipality was collected, action was not taken to recover long overdue debtors.

The financial statements were not prepared in accordance with applicable legislation.

15. Contrary to section 122(1) of the MFMA the municipality did not prepare financial statements that fairly present its state of affairs as material misstatements were corrected during the audit.

Municipal System Act of South Africa, No 32 of 2000 (MSA)

16. Contrary to the requirements set out in section 46(1) (a) of MSA, the accounting officer did not ensure that the performance information report is prepared and submitted for audit purpose.

INTERNAL CONTROL

17. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and MSA, but not for the purpose of expressing an opinion on the effectiveness of internal control.
18. The matters reported below are limited to the significant deficiencies regarding the basis for the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Leadership**

- Oversight responsibility*

- Management neglect to ensure that IT policies and procedures were developed and approved

- Actions to mitigate risks*

- Inadequate security management controls to prevent unauthorised access to the operating systems that grant access to the application systems

- **Financial performance management**

- Quality reliable financial statements*

- The financial statements were subject to various material amendments resulting from the audit.

- Adequate systems*

- General information technology controls are not designed to maintain the integrity of the information systems and the security of the data.

- **Governance**

- Risk identification*

- The entity does not identify risks relating to the achievement of financial and performance reporting objectives.

- Internal controls are not selected and developed to prevent and/or detect and correct material misstatements in financial reporting and reporting on predetermined objectives.

- Fraud prevention*

- Segregation of duties to prevent fraudulent data and asset misappropriation is inadequate as there is no fraud prevention plan

- Internal audit*

- Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over performance reporting.

- Audit committee*

The audit committee did not review the adequacy, reliability and accuracy of the annual financial statements and the report on pre-determined objectives prior to submission to the Auditor-General

OTHER REPORTS

Investigations

Investigations completed during the financial year

An investigation was conducted by the public protector on the awarding of tenders. The investigation was initiated based on the allegation of possible irregularities in awarding of tenders by the municipality. The Public Protector has found no evidence that tenders was won through improper influence due to friendships, comradeship, favouritism, nepotism, interference or any other impropriety.

19. An investigation was conducted by the council on fruitless and wasteful expenditure incurred in the prior year and the results are awaiting council decision.

Auditor-General

Polokwane

30 November 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence